

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Yankee Springs	County Barry
Audit Date 6/30/04	Opinion Date 10/27/04	Date Accountant Report Submitted to State: 1/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 			Date 1/26/05

Township of Yankee Springs
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Township Board
Township of Yankee Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Township's financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10, the Township of Yankee Springs, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Yankee Springs, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Yankee Springs, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Yankee Springs, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

October 27, 2004

BASIC FINANCIAL STATEMENTS

Township of Yankee Springs
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 853,147	\$ 263,356	\$ 1,116,503
Receivables	103,401	16,772	120,173
Prepaid expenses	18,890	-	18,890
<i>Total current assets</i>	<u>975,438</u>	<u>280,128</u>	<u>1,255,566</u>
Noncurrent assets:			
Receivables	4,382	-	4,382
Capital assets (net of depreciation)	854,322	1,344,109	2,198,431
<i>Total noncurrent assets</i>	<u>858,704</u>	<u>1,344,109</u>	<u>2,202,813</u>
<i>Total assets</i>	<u>1,834,142</u>	<u>1,624,237</u>	<u>3,458,379</u>
LIABILITIES			
Current liabilities:			
Accounts payable	31,852	5,984	37,836
Noncurrent liabilities:			
Contract payable	-	459,038	459,038
<i>Total liabilities</i>	<u>31,852</u>	<u>465,022</u>	<u>496,874</u>
NET ASSETS			
Invested in capital assets, net of related debt	854,322	885,071	1,739,393
Restricted - public safety	242,371	-	242,371
Unrestricted	705,597	274,144	979,741
<i>Total net assets</i>	<u>\$ 1,802,290</u>	<u>\$ 1,159,215</u>	<u>\$ 2,961,505</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
<i>Governmental activities:</i>				
Legislative	\$ 8,358	\$ -	\$ -	\$ -
General government	243,176	3,575	-	-
Public safety	176,817	42,895	1,596	-
Public works	85,183	-	20,097	12,226
Community and economic development	34,828	20,282	-	-
Culture and recreation	3,990	-	-	-
<i>Total governmental activities</i>	<u>552,352</u>	<u>66,752</u>	<u>21,693</u>	<u>12,226</u>
<i>Business-type activities:</i>				
Water	<u>52,740</u>	<u>93,400</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 605,092</u>	<u>\$ 160,152</u>	<u>\$ 21,693</u>	<u>\$ 12,226</u>

General revenues:

Property taxes
State shared revenue
Franchise fees
Unrestricted investment return
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year

Net assets - end of year

**Net (expense) revenue and
changes in net assets**

Primary government

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (8,358)		\$ (8,358)
(239,601)		(239,601)
(132,326)		(132,326)
(52,860)		(52,860)
(14,546)		(14,546)
(3,990)		(3,990)
<u>(451,681)</u>		<u>(451,681)</u>
<u>-</u>	<u>40,660</u>	<u>40,660</u>
<u>(451,681)</u>	<u>40,660</u>	<u>(411,021)</u>
297,165	-	297,165
282,783	-	282,783
21,612	-	21,612
6,290	2,101	8,391
416	-	416
<u>608,266</u>	<u>2,101</u>	<u>610,367</u>
156,585	42,761	199,346
<u>1,645,705</u>	<u>1,116,454</u>	<u>2,762,159</u>
<u>\$ 1,802,290</u>	<u>\$ 1,159,215</u>	<u>\$ 2,961,505</u>

See notes to financial statements

Township of Yankee Springs
BALANCE SHEET - Governmental Funds
June 30, 2004

	<u>General</u>	<u>Fire Building</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>
ASSETS				
Cash	\$ 507,162	\$ (4,520)	\$ 280,994	\$ 48,826
Receivables	98,701	-	-	9,082
Prepaid expenses	-	18,890	-	-
<i>Total assets</i>	<u>\$ 605,863</u>	<u>\$ 14,370</u>	<u>\$ 280,994</u>	<u>\$ 57,908</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,547	\$ -	\$ -	\$ 11,305
Deferred revenue	-	-	-	9,082
<i>Total liabilities</i>	<u>20,547</u>	<u>-</u>	<u>-</u>	<u>20,387</u>
Fund balances:				
Reserved for:				
Fire equipment	-	-	240,994	-
Long-term receivables	-	-	-	9,082
Unrestricted	585,316	14,370	40,000	28,439
<i>Total fund balances</i>	<u>585,316</u>	<u>14,370</u>	<u>280,994</u>	<u>37,521</u>
<i>Total liabilities and fund balances</i>	<u>\$ 605,863</u>	<u>\$ 14,370</u>	<u>\$ 280,994</u>	<u>\$ 57,908</u>

*Amounts reported for governmental activities in the statement of
net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures
and therefore are not reported in the funds.

Net assets of governmental activities

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 20,685	\$ 853,147
-	107,783
-	18,890
<u>\$ 20,685</u>	<u>\$ 979,820</u>
\$ -	\$ 31,852
-	9,082
<u>-</u>	<u>40,934</u>
-	240,994
-	9,082
<u>20,685</u>	<u>688,810</u>
<u>20,685</u>	<u>938,886</u>
<u>\$ 20,685</u>	
	854,322
	<u>9,082</u>
	<u>\$ 1,802,290</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Fire Building</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>
REVENUES				
Taxes	\$ 297,165	\$ -	\$ -	\$ -
State grants	282,783	-	-	-
Licenses and permits	42,895	-	-	-
Charges for services	43,169	-	-	-
Interest and rentals	6,300	-	2,290	-
Other	66	-	-	32,323
	<u>672,378</u>	<u>-</u>	<u>2,290</u>	<u>32,323</u>
<i>Total revenues</i>				
	<u>672,378</u>	<u>-</u>	<u>2,290</u>	<u>32,323</u>
EXPENDITURES				
Legislative	8,358	-	-	-
General government	232,840	-	-	-
Public safety	120,964	2,854	-	-
Public works	66,067	-	-	16,262
Community and economic development	34,828	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	5,404	124,166	27,628	-
	<u>468,461</u>	<u>127,020</u>	<u>27,628</u>	<u>16,262</u>
<i>Total expenditures</i>				
	<u>468,461</u>	<u>127,020</u>	<u>27,628</u>	<u>16,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>203,917</u>	<u>(127,020)</u>	<u>(25,338)</u>	<u>16,061</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	140,750	40,000	-
Transfers out	<u>(190,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(190,750)</u>	<u>140,750</u>	<u>40,000</u>	<u>-</u>
<i>Total other financing sources (uses)</i>				
	<u>(190,750)</u>	<u>140,750</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	13,167	13,730	14,662	16,061
FUND BALANCES - BEGINNING OF YEAR	<u>572,149</u>	<u>640</u>	<u>266,332</u>	<u>21,460</u>
FUND BALANCES - END OF YEAR	<u>\$ 585,316</u>	<u>\$ 14,370</u>	<u>\$ 280,994</u>	<u>\$ 37,521</u>

Net change in fund balances - total governmental funds

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$141,359) exceeded depreciation (\$47,766) in the current period.

Change in net assets of governmental activities

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 297,165
-	282,783
-	42,895
1,596	44,765
-	8,590
<u>350</u>	<u>32,739</u>
<u>1,946</u>	<u>708,937</u>
-	8,358
-	232,840
2,584	126,402
-	82,329
-	34,828
3,990	3,990
<u>-</u>	<u>157,198</u>
<u>6,574</u>	<u>645,945</u>
<u>(4,628)</u>	<u>62,992</u>
10,000	190,750
<u>-</u>	<u>(190,750)</u>
<u>10,000</u>	<u>-</u>
5,372	62,992
<u>15,313</u>	<u>875,894</u>
<u>\$ 20,685</u>	<u>\$ 938,886</u>
	\$ 62,992
	<u>93,593</u>
	<u>\$ 156,585</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF NET ASSETS - Proprietary Fund
June 30, 2004

	<i>Business-type Activities Enterprise Fund</i>
	<i>Water</i>
ASSETS	
Current assets:	
Cash	\$ 263,356
Accounts receivables	<u>16,772</u>
<i>Total current assets</i>	<u>280,128</u>
Noncurrent assets:	
Capital assets (net of depreciation)	<u>1,344,109</u>
<i>Total assets</i>	<u>1,624,237</u>
LIABILITIES	
Current liabilities:	
Accounts payable	5,984
Noncurrent liabilities:	
Contract payable	<u>459,038</u>
<i>Total liabilities</i>	<u>465,022</u>
NET ASSETS	
Investment in capital assets, net of related debt	885,071
Unrestricted	<u>274,144</u>
<i>Total net assets</i>	<u><u>\$ 1,159,215</u></u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - Proprietary Fund
Year ended June 30, 2004

	<u>Business-type Activities Enterprise Fund</u>
	<u>Water</u>
OPERATING REVENUES	
Charge for services	\$ 93,400
OPERATING EXPENSES	
Public works	36,017
Depreciation	15,734
<i>Total operating expenses</i>	<u>51,751</u>
OPERATING INCOME	<u>41,649</u>
NONOPERATING REVENUES (EXPENSES)	
Investment return	2,101
Interest expense	(989)
<i>Total nonoperating revenues</i>	<u>1,112</u>
CHANGE IN NET ASSETS	42,761
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>1,116,454</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 1,159,215</u></u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF CASH FLOWS - Proprietary Fund
Year ended June 30, 2004

	<i>Business-type Activities Enterprise Fund</i>
	<i>Water</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 97,216
Payments to suppliers	(54,358)
	<u>42,858</u>
<i>Net cash provided by operating activities</i>	<u>42,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in amount due from other units	<u>37,375</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from contract payable	408,407
Acquisition of capital assets	(416,658)
Interest payments on capital debt	(989)
	<u>(9,240)</u>
<i>Net cash used in capital and related financing activities</i>	<u>(9,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment return	<u>2,101</u>
NET INCREASE IN CASH	73,094
CASH - BEGINNING OF THE YEAR	<u>190,262</u>
CASH - END OF YEAR	<u><u>\$ 263,356</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 41,649
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	15,734
Changes in assets and liabilities:	
Receivables, net	3,816
Accounts payable	(18,341)
	<u>(18,341)</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 42,858</u></u>

See notes to financial statements

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Yankee Springs, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Building accounts for the resources related to maintaining and improving the Township's Fire Station.

The Fire Equipment Fund accounts for the financial resources used for the purchase of fire apparatus. Revenues are primarily derived from property taxes.

The Revolving Improvement Fund accounts for Township improvements financed through special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund relate to charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively. June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for road within the Township, which are owned by the County of Barry.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	5 - 15 years
Water systems	50 - 75 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Township Board is the functional level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Total appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
Revolving Improvement	Public works	\$ -	\$16,262	\$16,262

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS:

The Township's deposits, as shown in the government-wide statement of net assets are as follows

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Totals</u>
Cash	<u>\$853,147</u>	<u>\$263,356</u>	<u>\$1,116,503</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2004, the Township has deposits with a carrying amount of \$1,116,503 and a bank balance of \$1,125,445. Of the bank balance \$269,875 is covered by federal depository insurance, and \$855,570 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2004, for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Governmental- type</u>		<u>Business- type</u>	
	<u>General</u>	<u>Revolving Improvement</u>	<u>Water</u>	<u>Totals</u>
Accounts	\$ 4,965	\$ -	\$16,772	\$ 21,737
Special assessments	-	9,082	-	9,082
Intergovernmental	<u>93,736</u>	<u>-</u>	<u>-</u>	<u>93,736</u>
<i>Totals</i>	<u>\$98,701</u>	<u>\$9,082</u>	<u>\$16,772</u>	<u>\$124,555</u>
Noncurrent portion	<u>\$ -</u>	<u>\$4,382</u>	<u>\$ -</u>	<u>\$ 4,382</u>

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ <u>69,109</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>69,109</u>
Capital assets being depreciated:				
Buildings	228,899	124,128	-	353,027
Equipment	113,556	17,231	-	130,787
Vehicles	<u>541,434</u>	<u>-</u>	<u>-</u>	<u>541,434</u>
<i>Subtotal</i>	<u>883,889</u>	<u>141,359</u>	<u>-</u>	<u>1,025,248</u>
Less accumulated depreciation for:				
Buildings	93,632	5,373	-	99,005
Equipment	94,599	7,781	-	102,380
Vehicles	<u>4,038</u>	<u>34,612</u>	<u>-</u>	<u>38,650</u>
<i>Subtotal</i>	<u>192,269</u>	<u>47,766</u>	<u>-</u>	<u>240,035</u>
Net capital assets being depreciated	<u>691,620</u>	<u>93,593</u>	<u>-</u>	<u>785,213</u>
<i>Total capital assets, net</i>	<u>\$ 760,729</u>	<u>\$ 93,593</u>	<u>\$ -</u>	<u>\$ 854,322</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ <u>35,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>35,000</u>
Capital assets being depreciated:				
Water system	<u>1,078,330</u>	<u>416,658</u>	<u>-</u>	<u>1,494,988</u>
Less accumulated depreciation for:				
Water system	<u>170,145</u>	<u>15,734</u>	<u>-</u>	<u>185,879</u>
Net capital assets being depreciated	<u>908,185</u>	<u>400,924</u>	<u>-</u>	<u>1,309,109</u>
<i>Total capital assets, net</i>	<u>\$ 943,185</u>	<u>\$400,924</u>	<u>\$ -</u>	<u>\$1,344,109</u>

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

<i>Governmental activities:</i>	
General government	\$ 2,058
Public safety	<u>45,708</u>
<i>Total governmental activities</i>	<u>\$47,766</u>
<i>Business-type activities:</i>	
Water	<u>\$15,734</u>

NOTE 6 - CONTRACTUAL OBLIGATIONS:

The Township has committed future resources for the construction of a water tower. The total amount committed to the project is \$650,000, which will be funded through a contract payable from Barry County. The contract payable increased by \$408,407 in the current period, which brings total costs incurred on the project to \$459,038 as of June 30, 2004 which is presented as a contract payable. Repayments on contract will begin on October 1, 2005, when project is complete.

NOTE 7 - INTERFUND:

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Fire Building	\$140,750	General	<u>\$190,750</u>
Fire Equipment	40,000		
Other governmental	<u>10,000</u>		
	<u>\$190,750</u>		

In 2004, transfers were used to move available unrestricted funds from the General Fund to finance construction or purchase of capital assets.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, follows:

Revenues	\$ 42,895
Expenses	<u>(42,895)</u>
Excess of revenues over expenses	\$ <u>-</u>

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (general and special revenue funds)	\$ 875,894
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	760,729
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>9,082</u>
Net assets, as restated	<u>\$1,645,705</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 278,771	\$ 239,431	\$ 297,165	\$ 57,734
State grants	297,131	297,131	282,783	(14,348)
Licenses and permits	60,256	41,000	42,895	1,895
Charges for services	23,145	42,401	43,169	768
Interest and rentals	9,500	9,500	6,300	(3,200)
Other	600	600	66	(534)
<i>Total revenues</i>	<u>669,403</u>	<u>630,063</u>	<u>672,378</u>	<u>42,315</u>
EXPENDITURES				
Legislative - Township Board	<u>8,681</u>	<u>8,681</u>	<u>8,358</u>	<u>323</u>
General government:				
Supervisor	25,084	25,084	21,506	3,578
Elections	7,903	7,903	1,998	5,905
Assessor	33,650	33,650	32,263	1,387
Clerk	27,526	27,526	26,089	1,437
Board of Review	1,965	1,965	1,305	660
Treasurer	28,642	28,742	27,311	1,431
Township hall	105,224	114,257	85,837	28,420
Cemetery	14,525	14,525	12,185	2,340
Administration	<u>48,900</u>	<u>48,900</u>	<u>24,346</u>	<u>24,554</u>
<i>Total general government</i>	<u>293,419</u>	<u>302,552</u>	<u>232,840</u>	<u>69,712</u>
Public safety:				
Fire department	76,645	80,923	78,069	2,854
Inspections department	<u>42,000</u>	<u>42,000</u>	<u>42,895</u>	<u>(895)</u>
<i>Total public safety</i>	<u>118,645</u>	<u>122,923</u>	<u>120,964</u>	<u>1,959</u>
Public works:				
Utilities	3,500	3,500	1,794	1,706
Roads	<u>86,320</u>	<u>86,320</u>	<u>64,273</u>	<u>22,047</u>
<i>Total public works</i>	<u>89,820</u>	<u>89,820</u>	<u>66,067</u>	<u>23,753</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning commission	19,300	19,300	11,606	7,694
Zoning	<u>25,609</u>	<u>25,609</u>	<u>23,222</u>	<u>2,387</u>
<i>Total community and economic development</i>	<u>44,909</u>	<u>44,909</u>	<u>34,828</u>	<u>10,081</u>
Recreation and culture	<u>10,000</u>	<u>1,850</u>	<u>-</u>	<u>1,850</u>
Capital outlay	<u>25,000</u>	<u>22,650</u>	<u>5,404</u>	<u>17,246</u>
<i>Total expenditures</i>	<u>590,474</u>	<u>593,385</u>	<u>468,461</u>	<u>124,924</u>
EXCESS OF REVENUES OVER EXPENDITURES	78,929	36,678	203,917	167,239
OTHER FINANCING USES				
Transfer out:				
Fire Building Fund	-	(140,750)	(140,750)	-
Fire Equipment Fund	-	(40,000)	(40,000)	-
Nonmajor governmental fund type	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<i>Total other financing sources</i>	<u>-</u>	<u>(190,750)</u>	<u>(190,750)</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	78,929	(154,072)	13,167	167,239
FUND BALANCES - BEGINNING OF YEAR	<u>572,149</u>	<u>572,149</u>	<u>572,149</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 651,078</u>	<u>\$ 418,077</u>	<u>\$ 585,316</u>	<u>\$ 167,239</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - Fire Building Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest and rentals	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
EXPENDITURES				
Public safety	6,750	5,750	2,854	2,896
Capital outlay	<u>135,000</u>	<u>135,000</u>	<u>124,166</u>	<u>10,834</u>
<i>Total public safety</i>	<u>141,750</u>	<u>140,750</u>	<u>127,020</u>	<u>13,730</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(140,750)</u>	<u>(139,750)</u>	<u>(127,020)</u>	<u>12,730</u>
OTHER FINANCING SOURCES				
Transfers in - General Fund	<u>140,750</u>	<u>140,750</u>	<u>140,750</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	1,000	13,730	12,730
FUND BALANCES - BEGINNING OF YEAR	<u>640</u>	<u>640</u>	<u>640</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 640</u>	<u>\$ 1,640</u>	<u>\$ 14,370</u>	<u>\$ 12,730</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest and rentals	\$ 3,000	\$ 3,000	\$ 2,290	\$ (710)
EXPENDITURES				
Capital outlay	40,000	40,000	27,628	12,372
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(37,000)</u>	<u>(37,000)</u>	<u>(25,338)</u>	<u>11,662</u>
OTHER FINANCING SOURCES				
Transfers in - General Fund	-	40,000	40,000	-
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(37,000)	3,000	14,662	11,662
FUND BALANCES - BEGINNING OF YEAR	<u>266,332</u>	<u>266,332</u>	<u>266,332</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 229,332</u>	<u>\$ 269,332</u>	<u>\$ 280,994</u>	<u>\$ 11,662</u>

Township of Yankee Springs**BUDGETARY COMPARISON SCHEDULE - Revolving Improvement Fund**

Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Other - special assessments	\$ 24,925	\$ 87,875	\$ 30,740	\$ (57,135)
Interest and rentals	<u>-</u>	<u>-</u>	<u>1,583</u>	<u>1,583</u>
<i>Total revenues</i>	<u>24,925</u>	<u>87,875</u>	<u>32,323</u>	<u>(55,552)</u>
EXPENDITURES				
Public works	<u>-</u>	<u>-</u>	<u>16,262</u>	<u>(16,262)</u>
EXCESS OF REVENUES OVER EXPENDITURES	24,925	87,875	16,061	(71,814)
FUND BALANCES - BEGINNING OF YEAR	<u>21,460</u>	<u>21,460</u>	<u>21,460</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 46,385</u>	<u>\$ 109,335</u>	<u>\$ 37,521</u>	<u>\$ (71,814)</u>

SUPPLEMENTARY INFORMATION

Township of Yankee Springs

COMBINING BALANCE SHEET - Nonmajor Governmental Funds

June 30, 2004

	<i>Special Revenue</i>		<i>Total nonmajor</i>
	<i>Liquor License</i>	<i>Park Land Development</i>	<i>governmental funds</i>
ASSETS:			
Cash	\$ 1,427	\$ 19,258	\$ 20,685
FUND EQUITY			
Fund balance - unreserved, undesignated	\$ 1,427	\$ 19,258	\$ 20,685

Township of Yankee Springs**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor Governmental Funds***Year ended June 30, 2004*

	<i>Special Revenue</i>		<i>Total nonmajor governmental funds</i>
	<i>Liquor License</i>	<i>Park Land Development</i>	
REVENUES			
Licenses and permits	\$ 1,596	\$ -	\$ 1,596
Other - donations	-	350	350
<i>Total revenues</i>	<u>1,596</u>	<u>350</u>	<u>1,946</u>
EXPENDITURES			
Public safety	2,584	-	2,584
Recreation and culture	-	3,990	3,990
<i>Total expenditures</i>	<u>2,584</u>	<u>3,990</u>	<u>6,574</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(988)	(3,640)	(4,628)
OTHER FINANCING SOURCES			
Transfers in - General Fund	-	10,000	10,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(988)	6,360	5,372
FUND BALANCE - BEGINNING OF YEAR	<u>2,415</u>	<u>12,898</u>	<u>15,313</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,427</u>	<u>\$ 19,258</u>	<u>\$ 20,685</u>